

## **Amando M Tetangco, Jr: Steer toward true north**

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the Awarding Ceremony for “MAP Management Man of the Year 2015, Makati City, 24 November 2015.

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They say receiving the MAP Management Man of the Year award is like winning Best Director in the Oscars...

When I look at the roster of past winners... I guess they have a point ... But also, when I look at the roster, Best Director for a particular film pales in comparison... Because everyone before me had been judged for the consistency in his whole body of work...

And so it is with pride and, at the same time, humility that I address you this afternoon...

Since I became BSP Governor in 2005, a frequently used idiom to describe my position is that I am “at its helm.” I find this analogy to an ocean-going vessel very appropriate, both from the technical and from the operational-management side of central banking. Central banking has, after all, often been described as a navigational act of directing... easing, tightening, reining-in ... balancing.

Slight changes on the wheel can alter the ship’s direction. Thus, captain and crew must be in sync. With this in mind, for the last 10 years, 4 months and 20 days I have approached my duties with great respect:

First, I must know the course with certainty. Many navigational tools can be consulted for geographical direction. In my readings, I learned that the compass is limited. It often does not point to “the true north” that does not change. Rather, it directs to a magnetic north that varies because of fluctuations in the earth’s fields. Thus, for accurate direction one must know where the “true north” is.

For the BSP, our true north is spelled out in our mandates. We are committed to maintaining price stability; a stable banking system; and a safe, sound and efficient payments and settlements system. We choose the course that leads to them despite possible trade-offs or even criticism, sometimes, lawsuits. In this commitment, we value our independence as we cannot be carried by changing currents or tossed by the waves. Our direction determines our destination.

Let me first talk about adherence to our second mandate.

Something about going through a crisis makes one think long and hard about the direction one is taking. The traumatic 1997 Asian Foreign Exchange Crisis and then ten years later, the 2007/8 Global Financial Crisis were valuable learning experiences that shaped our thinking on how we should approach bank supervision and promote overall financial stability. These defining moments have led us to embrace, champion, and implement wide-ranging financial reforms.

The financial reform agenda is exceptionally challenging and complex... Significant progress has been achieved but... more can still be done. It began with a long, painstaking, and painful post-1997 crisis clean-up of the banking system. We followed through with decisive adoption of relevant global banking reforms particularly those advocated by the Basel Committee and other international standard setting bodies. Running parallel to this are the implementation of regulations to raise the bar for the governance and risk management of banks, on one hand, and the risk-based approach that we are now employing to supervise them, on the other.

Our goal was behavioral change in how banks are run. This, while consciously and deliberately nurturing a more dynamic environment that encourages healthy competition, financial innovation, consumer protection, and financial inclusion.

As a result, ladies and gentlemen, our banking system is robust. It supports expansionary business activities and consumption spending, effectively becoming a truly reliable pillar of economic growth.

Second, as captain, I must have an intimate understanding of the vessel and its equipment. Our primary mandate, controlling inflation is often likened to operating a big ship. Slight movements in the monetary policy rudder can cause big changes in economic course. We must be focused, precise and deliberate in our decisions.

In 2002, the BSP adopted the inflation targeting framework. Inflation targeting or IT is an exhaustive policy framework where thoughtful econometric modelling and forecasting, grounded market surveillance, and sound judgement come together. And I am happy to report that since we've become more adept at IT, we have also become more effective in keeping prices low and stable. Economic growth is supported. Income equality is better promoted.

But the operating environment is evolving. So, again learning from the Global Financial Crisis, the BSP enhanced its tool kit to include macroprudential measures to address, among others, any unintended financial stresses... that could potentially arise from changes in market risk perception... because of monetary policy actions or other related causes. Macroprudential tools can be targetted towards areas for which traditional monetary policy tools are not suitable.

Third, I must delegate to, and trust the ship's officers. In the book, True North by Bill George and Peter Sims, there was insight that as one travels to the true north, a greater appreciation for "the We" instead of "the I" is developed. A difficult journey is best undertaken with a capable team. In this regard, I am fortunate that among my three deputy governors and myself, we have clocked-in about 130 years of central banking experience. I wish to acknowledge them this afternoon. Deputy Governor Nesting Espenilla of our Supervision and Examination Sector, Deputy Governor Diwa Guinigundo of our Monetary Stability Sector, and Deputy Governor Vic Aquino of our Resource Management Sector. I am grateful for the experience and expertise of these men, and the excellent and dedicated officers of the BSP, past and present, which combined through the years, illuminated a wider and brighter path for us to charter.

I would also like to acknowledge another significant source of illumination: our highest policy making body – the Monetary Board. I benefit much from the wisdom and technical knowledge possessed and shared, always so selflessly, by the highly accomplished men that comprise it. The Monetary Board is not involved in the day-to-day running of the "BSP Ship." To my mind, the Monetary Board is like a lighthouse... guiding toward our true north... warning of perilous areas, and marking safe entries to harbors. I wish to acknowledge the presence of those who are here today. MBMs Cesar Purisima, Freddy Antonio, Philip Medalla, Andy Suratos, Val Araneta and Jun de Zuniga.

The fourth duty of a captain is to take care of the crew. At present, the BSP has 5,321 officers and staff across the country. While we have varied experiences and expertise, we are all central bankers. We are taught and trained not just to do routine tasks. Rather, we live out our shared mission and vision, which is to be a world-class monetary authority, and a catalyst for a globally competitive economy that delivers a high quality of life for all Filipinos. We take to heart, core values of integrity, patriotism, solidarity, excellence and dynamism. These values are sustained by quality recruitment, training, succession and mentorship programs. We are committed to capacity building. It is the skillful sailing by all crew members that assures a successful voyage.

Fifth, I must provide clear and active communication internally, and lead coordination externally. Internally, a strong knowledge management system and enterprise wide communication policy are being implemented and continually refined in the bank.

We also give importance to and deeply value our domestic and international stakeholders and partners. Last July, together with 12 other government agencies, we launched the National Strategy for Financial Inclusion to build an inclusive financial system. We also chair the voluntary inter-agency body, the Financial Sector Forum comprised of the BSP, SEC, Insurance Commission and the PDIC.

Our Bank Supervision Policy Committee regularly conducts meetings with 15 industry associations for the continuous rationalization of regulations and so that supervisory policy remains relevant and responsive. Our Payment and Settlement Steering Committee regularly consults PhilPaSS stakeholders who are given the opportunity to raise concerns, grievances, as well as recommendations to improve PhilPaSS operations.

The BSP also actively participates and holds chairmanship positions in international fora such as the Alliance for Financial Inclusion, the G-20 Global Partnership for Financial Inclusion, Bank for International Settlements Asian Consultative Council, Financial Stability Board Regional Consultative Group for Asia, and the BIS Meeting of Governors from Small Open Economies.

As Governor, I represent the country in the Executive Meeting of East Asia and Pacific Central Banks (EMEAP), ASEAN and ASEAN +3; and South East Asia Central Banks (SEACEN), among others. We are represented in the IMF, the World Bank and ADB. We benefit from a continued exchange of ideas, sharing of competencies, and strengthening of linkages.

Sixth, laws and regulations must be complied with. I understand that common carriers have the legal duty to observe extraordinary diligence. In Philippine law, the banking community is the only other industry required to observe this highest degree of diligence when acting in a fiduciary capacity. And for good reason, given its key role. In the BSP, we are mindful of this principle and strive to follow both the letter and the spirit of legal provisions.

Seventh, the journey must be inclusive. The BSP is continually increasing its interface with the Filipino people, our ultimate stakeholder. The phrase “inclusive growth” is now cutting across the global reform agenda. The BSP has been doing its part to promote financial inclusion. And we have done so following three pillars, namely: access and usage, financial literacy and education, and increased financial consumer protection. Policy and regulatory efforts are designed and directed toward allowing more of our countrymen effective access to a wide range of financial services, equipping them with know-how to appreciate which financial service suits them best, and creating an environment where they are essentially protected from unscrupulous elements.

We believe that for economic development and progress to be meaningful, more must participate in and benefit from the journey.

Finally, a strong moral and internal compass is essential. It is difficult to find direction when one relies only on external aids. Instead, one must listen closely to the dictates of his own conscience – his true north - doing his best in each endeavor. In its simplest form, this is how one genuinely moves forward: by listening to his inner compass, trusting in God, and doing what, in his mind, is his very best, never settling for less in the day-to-day.

For me, as a young central bank statistician in the 1970s, this meant ensuring that each report submitted to my supervisor was accurate and timely. All the numbers had to add up. In the 1980s, this entailed carefully preparing correct and complete documents for the next external debt negotiation. It also required that as Director of the Research Department, my interviews be faithful to our mandate. As Deputy Governor in the late 1990s and early 2000s, this translated to basing each policy recommendation only on meticulous academic research sensitive to market reactions.

As Governor, it demands attention to consistency and appropriateness of policies, and to consider paramount, the BSP's mandate and public welfare.

In closing, I recap what for me, are the core responsibilities at the helm. There must be commitment to the BSP's true north- its mandates. There must be expert familiarity with the vessel and its equipment. Delegation to, and trust in the ship's officers is essential. The crew must be cared for and continuously prepared for the journey. Clear and active communication must be provided internally, and there must be strong coordination externally. There must be compliance with laws and regulations – to the standard of “extraordinary diligence”. To be meaningful, the journey must be inclusive. And most importantly, a strong moral and internal compass is essential.

Today, I am humbled and honored that the Management Association of the Philippines (MAP) has recognized that under my watch, the BSP has stayed steady on its course.

I am honored to join an illustrious roster of awardees that includes previous central bank governors, from whom I have learned a lot. My predecessor, Governor Rafael Buenaventura was Management Man of the Year in 2004; Governor Gabriel Singson in 1998; Governor Jose Cuisia, Jr. in 2007; and Governor Jobo Fernandez in 1989. Another former CB Governor, Jimmy Laya was once the President of MAP. For this award, and for consistently demonstrating trust in the Central Bank and the role it plays, maraming salamat po sa MAP.

I cannot receive this honor without sharing it. With my wife, Elma; my children Patrick and Miko, Eula and Mia, whose support and encouragement allowed me to seek out my own true north even amidst trying times. I share this too with my grandchild Zara who gives us much joy in the family. I pray that they would each continuously listen to their own internal and moral compass.

With the men and women who with me, serve in the BSP with integrity, excellence and honor – members of the Monetary Board, officers and staff, past and present, who have ensured that the BSP stay its course, maraming salamat sa inyo.

Thank you all for listening. To the Management Association of the Philippines, it is with deep gratitude and honor that I accept the award you have bestowed on me; my family; and ultimately, on the magnificent team that comprises the Bangko Sentral ng Pilipinas.

Mabuhay at maraming salamat muli.